

ICI: FSOC Has Opted For Weaker, Less Transparent Process

Washington, DC, November 3, 2023—Today, Investment Company Institute (ICI) President and CEO Eric Pan released the following statement on the Financial Stability Oversight Council's (FSOC) vote to adopt an analytic framework for financial stability risk assessment and change the guidance governing the systemically important financial institution (SIFI) designation process for non-bank financial institutions:

"It is disappointing that FSOC has decided to adopt a flawed risk assessment framework and a designation guidance that backtracks from current standards. The move away from an activities-based approach and towards making it easier to label a company as 'systemically important' lacks justification.

"The final framework invites less analytical rigor in FSOC's examinations of potential risks to financial stability from financial activities, products, or practices. For example, the move away from conducting a cost-benefit analysis does not lend itself to thoughtful decision-making based on empirical evidence. It is difficult to understand why members of FSOC think a less transparent, weaker process will produce wiser outcomes.

"We can only hope that FSOC will resist the temptation to employ its SIFI designation authority without sufficient analysis of all relevant factors or consideration of alternatives. SIFI designation is a blunt tool that offers an outsized focus on individual companies rather than a holistic assessment of risk."
